NATIONAL Tea Co

Builds with America

CLEVELAND PUBLIC LIBRA
BUSINESS INF. BUR.
CORPORATION FILE

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NATIONAL
FOOD STORES

1955

ANNUAL REPORT TO SHAREHOLDERS

The figures that count

HIGHLIGHTS OF OPERATIONS FOR THE CALENDAR YEAR	1955	1954
SALES	$575,584,774	$520,300,324
NET PROFIT—Before Federal Taxes	15,236,548	12,739,436
FEDERAL TAXES	8,000,000	6,220,000
NET PROFIT—After Federal Taxes	7,236,548	6,519,436
EARNINGS—Per common share	3.41	3.20
EARNINGS—Percent to sales	1.25	1.25
DIVIDENDS—Paid per common share	1.60*	1.60**
INVESTMENT—Per common share	25.23	23.30
RATIO OF CURRENT ASSETS—to Current Liabilities	2.77	2.50
COMMON SHARES—Number Outstanding	2,120,114	1,970,701
TOTAL STORES—December 31	744	711

*Plus extra 40 cent cash dividend paid on January 17, 1956 to shareholders of record on January 6, 1956

**Plus extra 2% stock dividend paid to shareholders of record on November 16, 1954

National Branches in Chicago • Minneapolis • Milwaukee • Indianapolis • Detroit Kalamazoo • St. Louis • New Orleans • Memphis

National Food Stores serving Illinois • Indiana • Iowa • Louisiana • Michigan • Minnesota Mississippi • Missouri • North Dakota • South Dakota • Tennessee • Wisconsin

NOTES.. TO FINANCIAL STATEMENTS

NATIONAL TEA CO. AND SUBSIDIARIES
DECEMBER 31, 1955

(1) DIVIDEND RESTRICTION:

At December 31, 1955, earned surplus of $17,729,470 is restricted as to the payment of cash dividends on and the purchase of common shares; net current assets remaining after giving effect to the payment of dividends or reacquisition of stock must equal at least $20,000,000.

(2) LITIGATION:

The suit filed in February 1952 by an alleged stockholder against the company and others, as reported in the 1954 Annual Report, is pending before a master in chancery. The suit attacks the stock option granted to Mr. McNamara in 1945 when he accepted employment by the company, and purchases by the company from American Processing and Sales Company, Garibaldi & Cuneo, and The Cuneo Press, Inc. These transactions were reported to the stockholders in the annual proxy statements in 1945 and thereafter. The complaint also attacks two loans obtained by Mr. McNamara with Mr. Cuneo's assistance and used by Mr. McNamara in financing his purchases of the option stock. It alleges that he did not make any payment of principal or interest. Mr. McNamara paid the interest currently on both loans, and repaid the first loan in 1947 and the second loan in 1954.

(3) CAPITAL SHARES:

As of December 31, 1955, option agreements are outstanding with officers and employees granting them the right to purchase 10,300 common shares at $33.25 per share until October 26, 1959. Options for 3,100 of the shares are presently exercisable and options for an additional 2,400 shares will become exercisable on October 27 of each year through 1958. 10,300 common shares held in the treasury are reserved for the exercise of these options.

(4) LEASE COMMITMENTS:

At December 31, 1955, the company and its subsidiaries have 585 leases expiring after three years from date (some of which contain percentage rental clauses) with minimum annual rentals amounting to approximately $7,200,000 exclusive of taxes, insurance and maintenance payable by the lessee. Of this amount, approximately 70% applies to leases expiring within 10 years.

To the Shareholders, National Tea Co.

Arthur Andersen & Co.
120 South La Salle Street, Chicago 3

We have examined the consolidated balance sheet of NATIONAL TEA CO. (an Illinois corporation) AND SUBSIDIARIES as of December 31, 1955, and the related statements of consolidated income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the year ended December 31, 1954.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of National Tea Co. and Subsidiaries as of December 31, 1955, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 15, 1956

THESE 3 STARS
MEAN
"3 SQUARE MEALS A DAY"

NATIONAL builds with America to 5th largest food chain in the U.S.

Following Reported in Thousands (000 omitted)

YEAR ENDING DEC. 31	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
SALES	$106,868	$157,641	$217,915	$270,176	$274,332	$315,218	$361,321	$405,220	$462,281	$520,300	$575,585
NET PROFIT Before Federal Taxes	1,838	4,761	5,772	6,483	7,419	9,764	7,202	8,407	10,047	12,739	15,237
FEDERAL TAXES Normal	925	1,830	2,175	2,433	2,848	4,050	3,545	4,520	4,900	6,220	8,000
FEDERAL TAXES Excess Profits	....	....	....	....	....	500	50	170	250	....	....
NET PROFIT After Federal Taxes	913	2,931	3,597	4,050	4,571	5,214	3,607	3,717	4,897	6,519	7,237
COMMON SHARES Number Outstanding	623	631	641	769	769	1,541	1,541	1,568	1,707	1,970	2,120

Following Reported in Actual Amounts

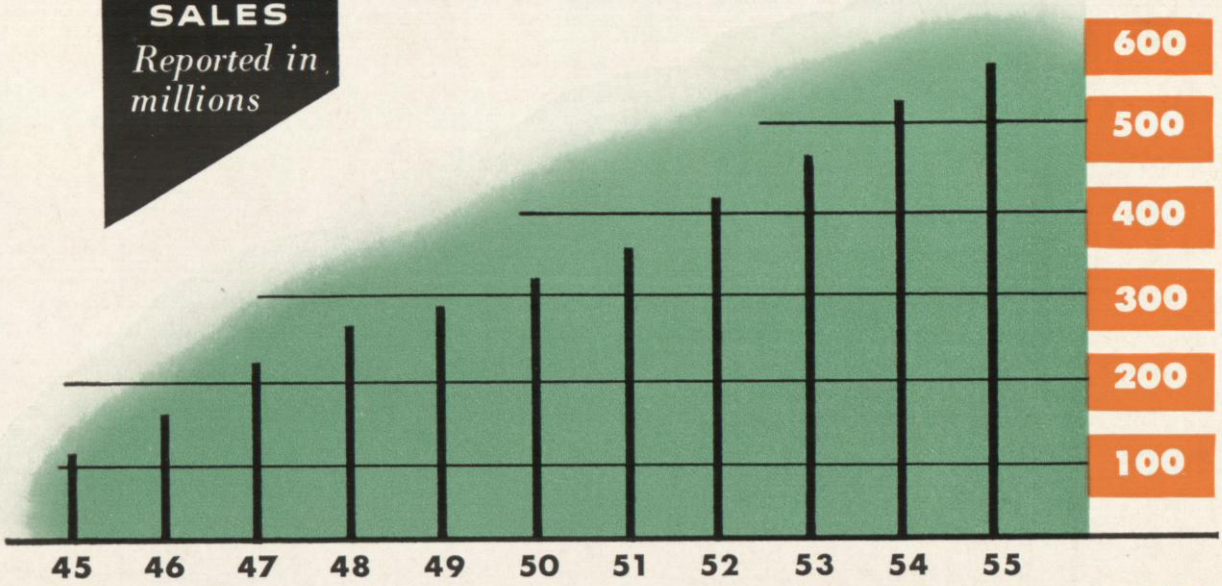
YEAR ENDING DEC. 31	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
EARNINGS Per Common Share*	$ .665	$ 2.25	$ 2.72	$ 2.54	$ 2.89	$ 3.31	$ 2.14	$ 2.05	$ 2.65	$ 3.20	$ 3.41
EARNINGS Per Cent to Sales	.85%	1.86%	1.65%	1.50%	1.66%	1.65%	.998%	.92%	1.06%	1.25%	1.25%
DIVIDENDS Paid Per Common Share*	.425	.425	.625	.9375	1.25	1.60	1.60	1.60	1.60	1.60**	1.60***
INVESTMENT Per Common Share*	9.825	11.51	13.48	14.50	16.09	18.40	18.75	19.28	20.81	23.30	25.23
CURRENT ASSETS Ratio to Current Liabilities	2.79	1.97	2.18	2.40	2.48	2.02	2.43	2.17	2.53	2.50	2.77
STORES With Meat Departments	452	491	556	569	596	591	596	668	664	710	744
STORES. Without Meat Departments	297	202	146	90	59	43	28	97	24	1	0
TOTAL STORES Year Ending December 31	749	693	702	659	655	634	624	765	688	711	744

*Common stock split two for one on December 20, 1950. Earnings for all years shown on equivalent basis

**Plus extra 2% stock dividend to shareholders on record as of November 16, 1954

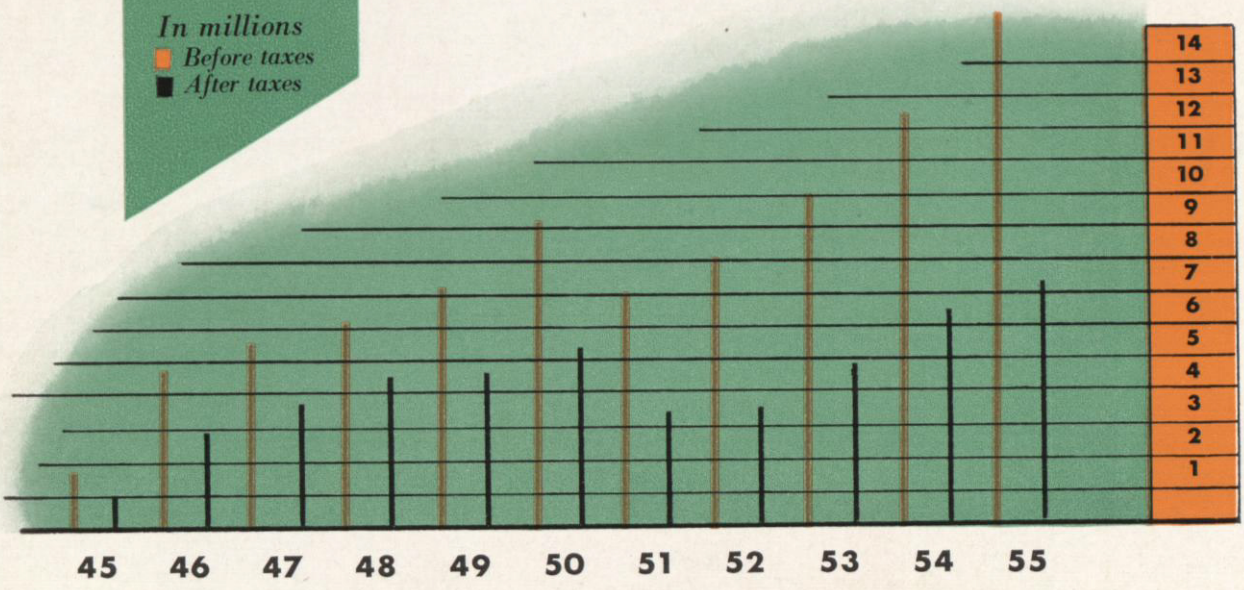
***Plus extra 40 cent cash dividend to shareholders on record as of January 6, 1956

SALES
Reported in millions



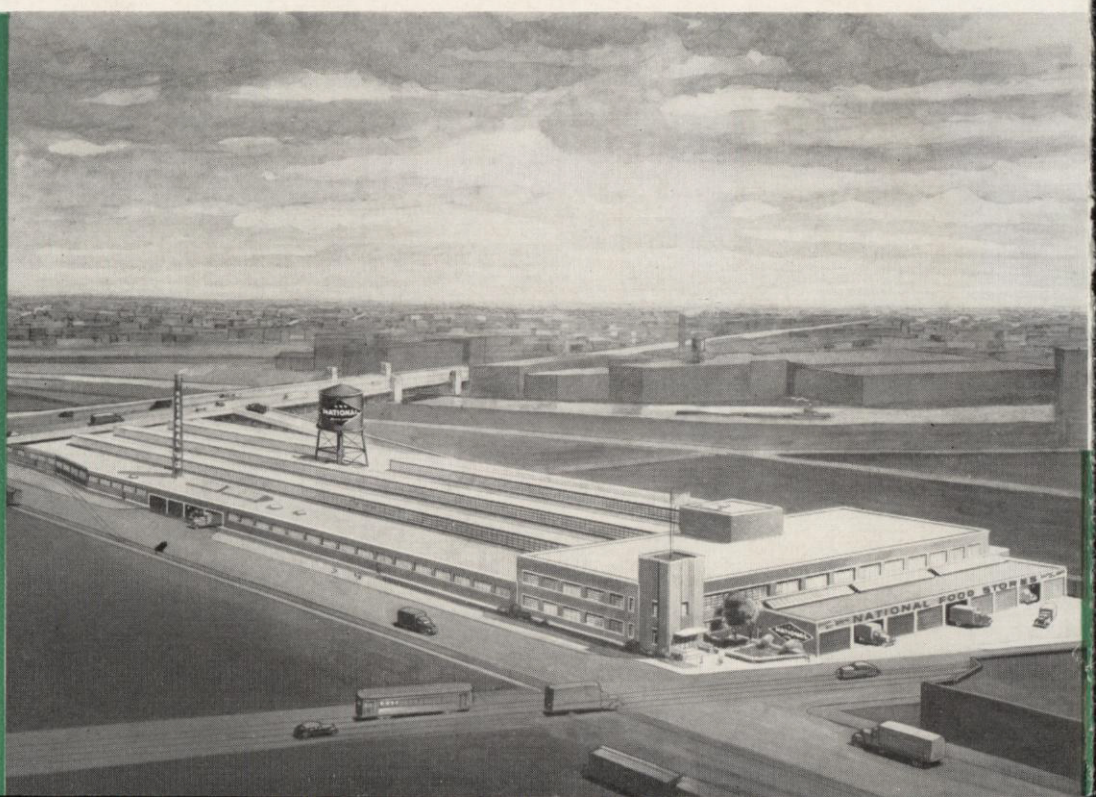
1945 Eleven years of solid growth 1955

PROFITS
In millions
Before taxes
After taxes



New Chicago branch meat distributing center

A great organization of 19,599 people helps National sell 5 tons of food per store every day



New Chicago branch food distributing center

SHAREHOLDER RELATIONS—During the year 1955, management has endeavored to keep shareholders informed of the company's progress as the occasion warranted. For the first time interim reports were published in July and November reporting our progress in sales, earnings, and other vital statistics.

We are pleased to inform you that the possibilities for future expansion of the company have been somewhat enhanced by the interest of our new shareholders, Mr. Garfield Weston and Associates, who have purchased from our directors, Mr. John F. Cuneo and Mr. Robert V. Rasmussen, a substantial number of shares in our company, which will entitle them to a voice in management. It is anticipated therefore that we will have our first major change in the directorship of our company in the past 11 years.

Management would like to express here and now, for the record, our sincere thanks and appreciation to the members of our Board of Directors who have served so well and given so generously of their time and efforts during the past 11 years.

EMPLOYEE RELATIONS—At the close of 1955, your company has grown to an impressive family of 19,599 employees. Our organization is young in years at all plateaus of production and management, though we are mature in experience at the management level. Training on the job is an important part of our preparation for the future, and this is supplemented by specialized training programs with understudies for all important positions.

Wages paid to employees in 1955 amounted to $59,641,354 as compared with $54,299,023 in 1954, an increase of $5,342,331, or 9.8 per cent. In line with the general trend of most industries, wages continue their upward spiral, however, we are pleased to report that with the increase in our sales volume we have been able to maintain a satisfactory cost of wages in per cent of sales.

Our two new acquisitions in Michigan and Tennessee have added to wages as has the opening of 83 new stores during the year, all of which has been justified in increased sales. Wages have also been affected by our forward step in taking over our own frozen food distributing operations, which is only a transfer of expense at lower cost than hired distributing service.

We do not believe we have seen the end of increases in wage rates, and it is reasonable to expect, as evidenced in other industries, there will be further increases in wages and costs for fringe benefits as long as the present prosperous economy continues. We do believe, however, that this is temporarily healthy for our business in general, and that the demands are leveling off from the past few years to a point where we can live with reasonable increases in wages without any serious effect on operating costs and still maintain our present rate of earnings.

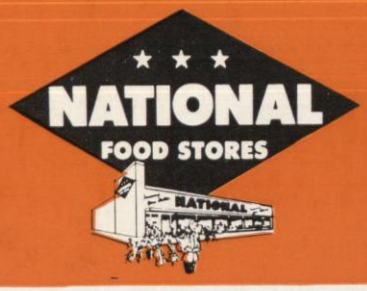
Our business is more humane than just the financial results and statistics we record here. It is made up of a great team of people, the more than 19,000 co-workers who have contributed their efforts enthusiastically to accomplish the results reported herein. We extend to all our employees our sincere thanks and appreciation for their wonderful cooperation and human initiative, with enthusiasm for the progress of our company first and the individual second as evidenced in so many ways throughout the years.

FUTURE—The fact that we have already leased 90 new store locations for opening in 1956, and thereafter, should make the optimism with which we appraise the future quite evident. The improvements we have made in our warehousing and distributing facilities, the constant attention to modernization and relocation of stores as reported herein, plus the experience and knowledge gained by our young and growing organization can only result in continued improvement in both sales and profits. We are secure in our confidence that we have built soundly and well, and that we are prepared to cope with any problems that might arise in the year ahead which looks to be filled with opportunity.

H. V. McNamara

H. V. McNamara,
President

Chicago, Illinois
February 28, 1956



National Tea Co. and Subsidiaries

Consolidated

ASSETS

	1955	1954
CURRENT ASSETS:		
Cash	$ 25,904,874	$19,416,326
Accounts receivable, less reserves of $38,691 and $68,800	1,879,404	1,331,353
Receivable from U. S. Government on account of warehouse property condemnation proceedings	—	1,044,601
Inventories, at lower of cost or market—		
Merchandise	40,051,574	34,012,770
Supplies	1,175,024	1,100,005
Total current assets	$ 69,010,876	$56,905,055
OTHER ASSETS:		
Prepaid rents, insurance, etc.	$ 1,866,061	$ 1,421,855
Investment in Everywoman's Magazine, at cost	300,000	200,000
Purchase fund for 4.2% preference shares	—	284,769
	$ 2,166,061	$ 1,906,624
PLANT AND EQUIPMENT, at cost, less reserves for depreciation:		
Land	$ 1,341,747	$ 1,323,942
Buildings	6,034,035	4,581,731
Fixtures and equipment	44,249,845	35,915,356
Reserves for depreciation	(20,728,760)	(18,006,256)
Leasehold improvements, less amortization	5,400,192	3,927,541
	$ 36,297,059	$27,742,314
Net excess of cost of investment in branches and subsidiaries over underlying book values at dates of acquisition— in process of amortization	2,233,133	1,756,428
	$ 38,530,192	$29,498,742
	$109,707,129	$88,310,421

See notes to financial statements.

Balance Sheet

December 31, 1955 and December 31, 1954

LIABILITIES

	1955	1954
CURRENT LIABILITIES:		
Current maturity of long-term debt	$ 500,000	$ —
Accounts payable	16,577,606	11,826,087
Accrued liabilities	4,577,773	3,607,454
Dividends payable	848,046	—
Federal income taxes, less $5,000,366 U. S. Government securities in 1955	2,395,775	7,353,060
Total current liabilities	$ 24,899,200	$22,786,601
LONG-TERM DEBT:		
4% promissory notes, due serially 1957 to 1973	$ 15,700,000	$16,200,000
3½% sinking fund subordinated debentures, due 1980 (sinking fund payments commence 1959), convertible into common shares at $52.75 through 1959, $55.25 through 1962 and $57.75 per share through 1965	15,000,000	—
	$ 30,700,000	$16,200,000
RESERVE FOR SELF-INSURANCE	$ 584,093	$ 499,548
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	$ 25,094	$ 33,509
CAPITAL STOCK AND SURPLUS:		
Preference shares (retired during 1955 and shares authorized reduced to 30,000)	$ —	$ 2,861,900
Common shares, par value $5—		
Authorized—1955—4,300,000 shares; 1954—2,100,000 shares		
Issued—1955—2,132,910 shares; 1954—1,980,501 shares	10,664,550	9,902,505
Reserved for conversion of debentures—1955—284,360 shares		
Paid-in surplus	15,987,380	12,050,054
Earned surplus (Note 1)	27,354,185	24,316,321
	$ 54,006,115	$49,130,780
Less—Cost of treasury common shares (Note 3)—1955—12,796 shares; 1954—9,800 shares	507,373	340,017
	$ 53,498,742	$48,790,763
	$109,707,129	$88,310,421

NATIONAL TEA CO. AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED INCOME
FOR THE YEARS ENDED DECEMBER 31, 1955 AND 1954

	1955	1954
SALES AND REVENUES:		
Sales	$575,584,774	$520,300,324
Loss on disposal of fixed assets	(31,387)	(17,490)
Revenues from warehouse property—net of interest and depreciation	—	84,490
	$575,553,387	$520,367,324
COSTS AND EXPENSES (including sales and occupational taxes until August 1, 1955):		
Cost of sales, expenses, etc. (excluding rent, depreciation and amortization)	$548,040,102	$497,219,327
Provision for depreciation and amortization	4,499,639	3,810,460
Rentals for leased properties	6,986,556	5,930,666
Interest on indebtedness	790,542	667,435
Provision for Federal income taxes	8,000,000	6,220,000
	$568,316,839	$513,847,888
Net income for the year	$ 7,236,548	$ 6,519,436

See notes to financial statements.

NATIONAL TEA CO. AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1955

PAID-IN SURPLUS

BALANCE AT BEGINNING OF YEAR	$12,050,054
Excess of par value of 28,410 preference shares over par value of 113,640 common shares issued in conversion	2,272,800
Excess of market value over par value of 38,769 common shares issued in exchange for the net assets of H. A. Smith Markets, Incorporated	1,667,079
	$15,989,933
DEDUCT—Excess of cost over option price of 1,900 treasury common shares sold to officers and employees	2,553
BALANCE AT END OF YEAR	$15.987,380

EARNED SURPLUS

BALANCE AT BEGINNING OF YEAR		$24,316,321
NET INCOME FOR THE YEAR		7,236,548
		$31,552,869
DEDUCT—Dividends paid or accrued:		
Preference shares, 4.2% series (including premium paid on redemption of preference shares)	$ 1,184	
Common shares ($2.00 per share)	4,197,500	4,198,684
BALANCE AT END OF YEAR (Note 1)		$27,354,185

See notes to financial statements.

Annual Report...1955

Directors

JOHN F. CUNEO*
President of The Cuneo Press, Inc.

JOHN V. FARWELL, III*
President of Sanitary Scale Co.

RAYMOND P. FISCHER
Vice President of The Cuneo Press, Inc.

ARTHUR J. HANSEN
Vice President and Branch Manager

CHARLES S. KELLY
Attorney

HARLEY V. MCNAMARA*
President

ROBERT V. RASMUSSEN
President, Elmwood Trust

WILLIAM E. RUSSELL
Vice President

ROBERT E. STRAUS
President of American National Bank and Trust Company of Chicago

**Member of Executive Committee*

Officers

HARLEY V. MCNAMARA
President

ARTHUR J. HANSEN
Vice President

NORBERT L. CHAPLICKI
Vice President

FRANK J. GRUMAN
Vice President

WILLIAM E. RUSSELL
Vice President

CLAUDE H. WEBSTER
Vice President

CHARLES WOODING
Treasurer-Comptroller

CLARENCE E. BEARD
Assistant Treasurer

GEORGE L. ANDERSON
Assistant Treasurer

WILLIAM T. MORGAN, JR.
Secretary

THEODORE G. HALLBERG
Assistant Secretary

RICHARD V. RADEBAUGH
Assistant Secretary

Transfer Agents

Common Shares:

The First National Bank of Chicago
Chicago, Illinois

The Chase National Bank
of the City of New York
New York, New York

Registrars

Common Shares:

Continental Illinois National Bank
& Trust Company of Chicago
Chicago, Illinois

The New York Trust Company
New York, New York

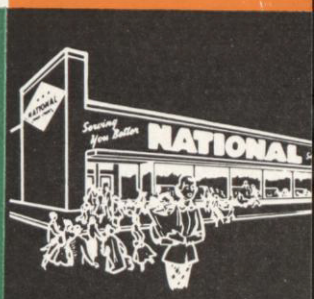
Trustee and Paying Agent

Debentures:

Chemical Corn Exchange Bank
New York, New York

NATIONAL TEA CO.

Home Office: 1000 N. Crosby St. • Chicago 10, Ill.



Management report

TO THE SHAREHOLDERS OF NATIONAL TEA CO. America's food industry continues to grow and your company is keeping up with, if not exceeding, the trend. Present management has now completed eleven record years of progress, modernization, and expansion, and in this period of time our sales have grown from less than $100 million in 1944 to more than $575 million in 1955. These increased sales can be attributed to many factors predominant among which are: modernization of existing stores; continued expansion to new and larger stores; acquisition of regional food chains in new territories; intelligent management at all levels; improvement in our organization; aggressive merchandising and advertising; and finally, the progressive attitude of our people who are always quick to take the initiative in their enthusiastic effort to move ahead and keep ahead of competition today, as we blueprint our plans for tomorrow.

Our record sales have continued for the past year, resulting in record earnings, the highest in the 56-year history of your company, as indicated in the report of operations for the year ending December 31, 1955, as follows:

SALES—Total sales of National Tea Co., and subsidiaries, for the year 1955 were $575,584,774 as compared with $520,300,324 for 1954, which was an increase of $55,284,450, or 10.62 per cent over the previous year. This is our eleventh new all time high in sales in as many years with our rate of increase higher than reported for the food chain industry in general.

PROFITS—We are pleased to report another improvement in earnings for the year 1955. Net profit amounted to $7,236,548 after provision for $8,000,000 Federal taxes, which was equivalent to $3.41 per share on 2,120,114 shares of common outstanding as of the close of business December 31, 1955.

This compares with a profit of $6,519,436 in 1954, after provision for $6,220,000 in Federal taxes, which was equivalent to $3.20 per share on 1,970,701 shares of common outstanding at the close of 1954.

Substantial progress was made in our recent acquisitions during the year. Detroit and Kalamazoo branches which we acquired in 1952; St. Louis Branch acquired in 1953, New Orleans branch, acquired in 1954, all contributed substantially to our increased earnings in 1955. Our newest acquisitions in Port Huron, Michigan, which has been added to our Detroit branch and our new Memphis branch, both of which were acquired in the last quarter of 1955, should begin to show their real value to overall company results during 1956 as our expansion plans develop in these new areas of operation.

DIVIDENDS—Four regular quarterly dividends of 40 cents each were paid on the company's common shares making a total dividend of $1.60 for 1955. Your company has now paid 45 consecutive regular dividends since November 1944. Regular dividends paid in 1954 likewise totaled $1.60 per common share. Total cash dividend payment for 1955 was $3,349,455 as compared with $2,960,547 for 1954. In November, 1955, an extra cash dividend of 40 cents per common share was declared, payable on January 17, 1956, to all shareholders of record as of January 6, 1956. This compared with a 2 per cent stock dividend issued in December, 1954, to shareholders on record as of November 16, 1954.

The company's cumulative convertible preference shares, 4.20 per cent series, with the exception of 209 shares redeemed, were converted into common shares as authorized. Therefore, dividend payments on the preference shares cease to be a factor.

Continued . . .

for 1955

INVENTORIES—Store and warehouse inventories of merchandise and supplies at the close of business, December 31, 1955, totaled $41,226,598 as compared with $35,112,775 at December 31, 1954. This was an increase of $6,113,823 which was the direct result of the operation of an increased number of warehouses and stores, plus the trend to larger volume stores with a greater variety of merchandise to provide a better, more complete service to our customers. Despite the increase in inventory dollars, rate of turnover was satisfactory.

REAL ESTATE—As of December 31, 1955, the company owned warehouse property in Chicago, Illinois, and Detroit, Michigan, and packing plant property in Denver, Colorado, Fergus Falls, Minnesota, and Port Huron, Michigan. Only seven store locations are owned by the company, all of which are occupied for retail store purposes. In addition, the company owns five parking lots which are used in conjunction with our retail stores.

All National Food Stores now in operation provide complete shopping facilities, including fresh meat departments. Of the 744 stores in operation at the close of 1955, 415 of these stores now offer self-service meats, and additional stores are being converted to this new method of merchandising, which has proven its advantages to sales and profits.

All new stores opened by the company are being provided with air conditioning which has now become a requisite to modern store operations. Air conditioning is likewise being provided for existing stores where possibilities justify the investment.

EXPANSION—On September 21, 1955, the company purchased substantially all of the net assets of H. A. Smith Markets, a Michigan Corporation, which resulted in the acquisition of nine super markets and a meat packing plant, all located in the Port Huron, Detroit marketing area. The retail stores thus acquired have since been made a part of our Detroit operations, and we are continuing to operate the meat packing plant.

On October 11, 1955, the company purchased the Fred Montesi Super Market Chain in Memphis, Tennessee. This provided us with a new branch of operations in the Memphis area, comprising nine modern super markets and a food distribution center with office and warehouse facilities of 150,000 square feet. We plan to operate eventually from 40 to 50 stores in the Memphis branch territory of Tennessee, Arkansas and Mississippi, which will solidify our area of operations from North to South throughout mid-America.

On July 6, 1955, the company acquired a lease on a building in Davenport, Iowa, which will provide 150,000 square feet of modern office and warehousing facilities for our new Davenport branch office, and food distribution center. We plan to take possession of this building March 1st, 1956, and expect to have our new Davenport branch completely staffed and in operation by April 1st. The new Davenport branch will immediately service 41 stores transferred from our Chicago and Minneapolis branch operations, and will eventually be expanded to service new stores in 20 additional cities in Iowa and Northwestern Illinois.

During the year 1955, the company completed a total of 83 new stores of which 56 were new locations and 27 were relocations of previous stores, where expansion into larger locations with parking facilities was advisable to maintain and improve our share of the market. New and relocated stores opened in 1955 were divided among all branches. Although 83 new stores were opened and 18 were added through acquisition, total stores in operation increased only from 711 to 744 as a result of closing smaller outmoded store locations. Leases have been executed for 90 more new stores, most of which will be opened in 1956, of which 77 will be expansion into new locations and 13 will be relocations of present stores.

Continued . . .

IMPROVEMENTS—On April 1, 1955, the company acquired a lease on an additional new warehouse to supplement our existing properties in our Chicago branch operations. This is a recently constructed one-floor building located at 901 West Division Street, providing 352,000 square feet of the most modern office and food distribution warehouse facilities.

Approximately $750,000 was spent during 1955 to improve our properties at the North Crosby Street locations in Chicago to provide modern distribution facilities for meats, produce, and frozen foods. A new meat commissary was installed for handling meat distribution to our Chicago branch meat departments. New ripening rooms were built for our banana ripening operations. A modern deep freeze storage warehouse with a capacity for warehousing and distributing up to 50 carloads of frozen foods was constructed to keep pace with our fast growing frozen food business.

During 1955, our former Baton Rouge branch operations were transferred to new headquarters in New Orleans, where we have been able to lease additional office and warehouse facilities in conjunction with our original sub-warehouse in New Orleans. Warehouse space in Baton Rouge is being retained to service stores in the central and northern parts of the state for greater economy and efficiency in distributing operations.

Other improvements of note for 1955 were the moderate remodeling of our home offices on North Crosby Street, the installation of a new liquid fermentation process in our Chicago Bakery, and improvements in our manufacturing operations, including the acquisition of an additional coffee roasting plant in New Orleans to serve our Southern branches.

FINANCIAL

As of November 1, 1955, the company sold $15,000,000 aggregate principal amount of 3½ per cent sinking fund subordinated debentures due November 1, 1980, convertible into common shares at $52.75 per share on or before November 1, 1959, at $55.25 per share thereafter to and including November 1, 1962, and at $57.75 per share thereafter to and including November 1, 1965. Sinking fund requires $350,000 principal amount of debentures to be retired on November 1st of each of the years 1959 to 1969, inclusive; $360,000 on November 1st of each of the years 1970 to 1974, inclusive; and $370,000 on November 1st of each of the years 1975 to 1979, inclusive.

Following is a brief summary of the changes in the operating capital position of the company during the year of 1955:

SOURCE OF FUNDS:		
Net income		$ 7,236,548
Long-term debt		
3½% Subordinated debentures	$15,000,000	
4% Serial notes transferred to current liabilities	(500,000)	14,500,000
Common shares issued for net assets of H. A. Smith Markets, Inc.		1,860,925
Reserve for self-insurance		84,545
		$23,682,018
DISPOSITION:		
Excess of capital expenditures over provision for depreciation amortization and sales		$ 9,039,865
Treasury common shares		169,910
Preference shares redeemed		22,084
Other assets		259,437
Cash dividends—Common shares		4,197,500
		$13,688,796
INCREASE IN NET CURRENT ASSETS		$ 9,993,222

Continued . . .

What's for dinner tonight?

Something different . . . something new . . . something taste-tempting . . . something to satisfy those healthy, hungry appetites . . . something for that famished husband who says when he comes in the door, "Honey, what's for dinner tonight?" More than 3 million people a day put just one word at the top of their shopping list and that one word is, "NATIONAL". Fresh cuts of meats, choice, completely clean ready-to-cook poultry, garden fresh fruits and vegetables, all the famous brands of groceries . . . America's homemakers always find what they want at their neighborhood NATIONAL Food Store.

NATIONAL

always has the right answer!

FACTS

- ★ 3 million customers
- ★ 19,599 employees
- ★ 744 stores
- ★ 9 branches serving 12 states
- ★ $575,584,774 sales volume for '55
- ★ 1,170,000 tons of merchandise sales for '55
- ★ 5th largest food chain in the nation
- ★ 10th largest retailer in the world

Welcome to

HOMETOWN

U.S.A.

THIS IS HOMETOWN, U.S.A.!

A newly incorporated city of 1500 homes, 1800 families, parks, playgrounds, schools and a complete shopping center. NATIONAL cooperated with the builders and developers of Hometown, right from the start in helping to establish a complete shopping center in this new community southwest of Chicago between Crawford and Cicero Avenues. The NATIONAL Food Store in Hometown is one of the largest in the shopping center. This is just another example of how NATIONAL cooperates to establish complete communities and "build with America."